

CONTRACT #9
RFS # 337.10-559

**Department of Labor and
Workforce Development**

VENDOR:
University of Tennessee,
Knoxville



**STATE OF TENNESSEE
DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT**

PHIL BREDESEN
GOVERNOR

Andrew Johnson Tower
710 James Robertson Pkwy, 8th FLOOR
Nashville, TN 37243-0655
(615) 741-2582

JAMES G. NEELEY
COMMISSIONER

March 4, 2006

RECEIVED

MAR 09 2006

FISCAL REVIEW

M. D. Goetz, Jr., Commissioner
Department of Finance and Administration
Fiscal Review Committee
State Capitol
Nashville, TN 37243

REF: 337.10-559 Non Competitive Grant

Dear Mr. Goetz:

Outlined below is our justification for a Non Competitive Grant with The University of Tennessee, College for Business Administration.

The initial term of the contract is from July 1, 2006 through June 30, 2007 with two additional option years. An amendment to extend term and yearly funding will be submitted at least 60 days before the end of the contract period.

This service is for evaluation and maintenance of the Tennessee Employment Security Insurance Model (TESIM).

The Center for Business and Economic Research (CBER) at the University of Tennessee, Knoxville has been directly involved with designing, implementing, and refining the quarterly projections for the trust fund balance since its inception over twenty years ago. This projection is required by state law (Tennessee Code Annotated Section 50-7-506), which states that the Division of Employment Security "shall annually develop and submit to the general assembly an unemployment trust fund balance report not later than February 1. The report shall also include the projected unemployment trust fund balances for the eighteen-month period beginning January 1, and shall be prepared and documented in accordance with sound statistical methodology."

Based on the above justification, I am requesting your approval of this non-competitive grant contract.

Sincerely,

James G. Neeley, Commissioner

JGN: HS: mho

REQUEST: NON-COMPETITIVE CONTRACT

APPROVED

Commissioner of Finance & Administration

Date:

Each of the request items below indicates specific information that must be individually detailed or addressed as required. A request can not be considered if information provided is incomplete, non-responsive, or does not clearly address each of the requirements individually as required.

1) RFS #	337.10-559	
2) State Agency Name :	Labor and Workforce Development	
3) Service Caption :	Evaluation and maintenance of the Tennessee Employment Security Insurance Model (TESIM)	
4) Proposed Contractor :	University of Tennessee, Knoxville	
5) Contract Start Date : (attached explanation required if date is < 60 days after F&A receipt)	07/01/06	
6) Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	06/30/09	
7) Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	276,000.00	
8) Approval Criteria : (select one)	<input type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input checked="" type="checkbox"/> only one uniquely qualified service provider able to provide the service	
9) Description of Service to be Acquired :	See attachment A	
10) Explanation of the Need for or Requirement Placed on the Procuring Agency to Acquire the Service :	This projection (insurance Model) is required by state law (Tennessee Code Annotated Section 50-7-506), which states that the Division of Employment Security "shall annually develop and submit to the general assembly an unemployment trust fund balance report not later than February 1.	
11) Explanation of Whether the Procuring Agency Bought the Service in the Past, & if so, What Procurement Method It Used :	This service has been bought each year for more than twenty years.	
12) Name & Address of the Proposed Contractor's Principal Owner(s) : (<u>not</u> required if proposed contractor is a state education institution)	The University of Tennessee, College of Business Administration, Center for Business and Economic Research, 804 Volunteer Blvd, Temple Court, Knoxville, TN 37996-4334	
13) Evidence of the Proposed Contractor's Experience and Length of Experience Providing the Service :	The University of Tennessee has been providing this service since its inception, for more than twenty years.	

14) Documentation of Office for Information Resources Endorsement :
(required only if the subject service involves information technology)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

15) Documentation of Department of Personnel Endorsement :
(required only if the subject service involves training for state employees)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

16) Documentation of State Architect Endorsement :
(required only if the subject service involves construction or real property related services)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

17) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :

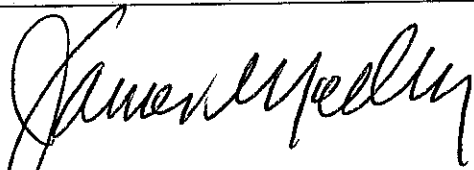
None

18) Justification of Why the State Should Use Non-Competitive Negotiation Rather Than a Competitive Process :
(Being the "only known" or "best" service provider to perform the service as desired will not be deemed adequate justification.)

It would not be in the best interest of the state to change providers since some of the data used in the TESIM model goes back more than thirty years and could not easily be duplicated.

REQUESTING AGENCY HEAD SIGNATURE & DATE :

(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)



3/3/06

Agency Head Signature

Date

Attachment A

Justification for Contract with U.T. Knoxville

The Center for Business and Economic Research (CBER) at the University of Tennessee, Knoxville has been directly involved with designing, implementing, and refining the quarterly projections for the trust fund balance since its inception over twenty years ago. This projection is required by state law (Tennessee Code Annotated Section 50-7-506), which states that the Division of Employment Security "shall annually develop and submit to the general assembly an unemployment trust fund balance report not later than February 1. The report shall also include the projected unemployment trust fund balances for the eighteen-month period beginning January 1, and shall be prepared and documented in accordance with sound statistical methodology."

CBER developed the Tennessee Employment Security Insurance Model (TESIM) jointly with this department to help meet this legal requirement and to provide information to help manage the Unemployment Insurance trust fund as fluctuations occur in the economy. TESIM is based on the economic forecasts of CBER's Tennessee Quarterly Economic Model (TQEM), which is used by several Tennessee state agencies for planning purposes. TQEM uses national data, economic assumptions, and forecasts from the University of Pennsylvania's Wharton School of Business. Thus, TESIM is produced in an unbiased environment using sound and recognized statistical techniques and modeling practices. This model has enabled the department to provide more accurate data to the Unemployment Insurance Advisory Council and to the legislature for informed decision making. By carefully monitoring the trust fund using TESIM, the state has been able to reduce premium rates for employers and increase benefits for unemployed workers while insuring the viability of the trust fund for bad economic times, like we are currently experiencing.

Since TESIM was developed, CBER has helped to train Employment Security Division staff to analyze and interpret the data. TESIM includes data from the Economic Report to the Governor, which also is produced at CBER. The Employment Security Research and Statistics Section has provided, over the years, a database to CBER for use in the TESIM model. Some of this database, which goes back over thirty years, could not easily be duplicated.

This department has utilized the expertise of CBER, especially Dr. William Fox, in the proper interpretation and use of the data from TESIM as well as using the TESIM model to analyze the financial impact of proposed Unemployment Insurance legislation.

LEDL Contract Personnel
Dr. William F. Fox
Joan M. Snoderly

assessed shall be determined by dividing the interest which will be due on the next September 30, by ninety-five percent (95%) of the total taxable wages paid during the preceding calendar year ending on December 31, by those such employees, liable under subsection (a).

(c) In order to determine the assessment of each such employer, liable under subsection (a), multiply the rate as determined in subsection (b) by each such employer's total taxable wages paid during the preceding calendar year ending on December 31.

(d) Each such employer, liable under subsection (a), shall be notified of the amount due as a result of this provision on or before June 30. Such amount shall be considered delinquent if not paid on or before July 31. Amounts which are unpaid on the day following the date due and payable shall bear interest at the same rate as for regular premiums.

(e) The amount of the assessment will not be included in the determination of an employer's experience rating.

(f) There is created in the state treasury a special fund, to be known as the "interest paid on advancement fund" (IPA fund).

(g) All moneys collected under the provisions of this section shall be deposited into the IPA fund and are appropriated and made available exclusively to the commissioner of labor and workforce development for use in paying interest owed on advancements.

(h) All remedies applicable to the collection of employer premiums are applicable hereto.

(i) Any interest required to be paid on advances under the Social Security Act, Title XII, shall be paid in a timely manner and shall not be paid, directly or indirectly, (by an equivalent reduction in unemployment premiums or otherwise) from amounts in the unemployment fund. [Acts 1983, ch. 439, § 13; 1984, ch. 701, § 5; 1984, ch. 786, § 6; 1985, ch. 118, § 72; 1985, ch. 318, §§ 72, 73; 1988, ch. 530, § 41.]

50-7-606. Unemployment trust fund — Report to general assembly.

— (a) The division of employment security shall annually develop and submit to the general assembly an unemployment trust fund balance report not later than February 1.

(b) The report shall include the unemployment trust fund balance as credited to the state of Tennessee's account with the United States department of treasury as of the preceding December 31.

(c) The report shall also include the projected unemployment trust fund revenues and expenditures and trust fund balances for the eighteen-month period beginning January 1, and shall be prepared and documented in accordance with sound statistical methodology. The report will be accompanied by a written explanation of the methodology. [Acts 1983, ch. 439, § 16; 1999, ch. 520, § 41.]

50-7-507. Investment and securing of funds — Interest. — (a) All moneys in the state treasury in funds created by this chapter shall be invested

(b) The state treasurer shall periodically review the balances in the various funds created pursuant to this chapter and allocate such interest as is payable pursuant to title 9, chapter 4, parts 1-4 and 6-8.

(c) The state treasurer shall pro-rata reduce interest allocations to all funds for which interest is paid pursuant to this section, if necessary, to compensate for any account or fund having a negative balance for the period for which interest allocations are made. [Acts 1985, ch. 118, § 73; 1986, ch. 551, § 10.]

PART 5 — ADMINISTRATION

50-7-601. Unemployment compensation bureau — Unemployment compensation division — State employment service — Board of review. — (a)(1) Bureau. There is created and established in the division of employment security a coordinate bureau to be designated as the unemployment compensation bureau. The bureau shall be a separate administrative unit with respect to personnel and budget, except insofar as the commissioner may find that such separation is impracticable. The bureau shall exercise all the powers, perform all the duties, and be subject to all the limitations prescribed in this chapter, except those pertaining to overall administration of the division vested in the administrator or except those pertaining to the overall supervision of the department vested in the commissioner, and those provided herein for the division of the Tennessee state employment service.

(2) Division. There is also created within the department of labor and workforce development the division of Tennessee state employment service, the latter being more fully described in § 50-7-608. Such division shall be a separate administrative entity with respect to personnel and budget, except insofar as the commissioner may find that such separation is impracticable. Such division shall be subject to the supervision and control of the commissioner within the provisions of this chapter.

(b) Board of Review.

(1) There is hereby created a board of review, consisting of three (3) members appointed by the governor to serve at the governor's will.

(2) Each member shall be paid the sum of twenty dollars (\$20.00) per case decided in a calendar month not to exceed one thousand five hundred dollars (\$1,500) for such calendar month plus necessary expenses; provided, that it will be the duty of the board of review to dispose of all cases coming before it without regard to this limitation on its members' compensation.

(3) All reimbursement for travel expenses shall be in accordance with the provisions of the comprehensive travel regulations as promulgated by the department of finance and administration and approved by the attorney general and reporter.

(4) All rules and regulations issued by the board of review prior to the enacting of this subsection shall remain in full force and effect until, and unless, specifically amended, revised or repealed by the board of review. [Acts 1947, ch. 29, § 10; G. Supp. 1950, § 6901.10 (Williams, § 6901.34); Acts 1955,

**GRANT AGREEMENT
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
AND
THE UNIVERSITY OF TENNESSEE.
COLLEGE OF BUSINESS ADMINISTRATION
CENTER FOR BUSINESS AND ECONOMIC RESEARCH**

This Grant, by and between the State of Tennessee, Department of Labor and Workforce Development, hereinafter referred to as the "State" and The University of Tennessee, hereinafter referred to as the "Grantee," is for the provision of evaluation and maintenance of the Tennessee Employment Security Insurance Model (TESIM), as further defined in the "SCOPE OF SERVICES."

The Grantee is a State of Tennessee institution of higher education.

A. SCOPE OF SERVICES:

A.1. Grantee agrees:

- a. To provide the research and services for the evaluation and maintenance of the Tennessee Employment Security Insurance Model (TESIM) as identified by the Grantee's Proposal as stated in Attachment A which is incorporated into this Grant by reference as fully as if it were set out verbatim herein.
- b. To complete, in total, all of its duties and obligations under this Grant as identified in the Grantee's Proposal and do so within the term of this Grant.
- c. All notices, informational pamphlets, press releases, research reports, signs and similar public notices prepared and released by the Grantee shall include the statement, "This project is funded (in part) under an agreement with the Tennessee Department of Labor and Workforce Development, Employment Security Division."
- d. The State will designate, in writing, an individual whose responsibility will be to represent Employment Security Division as Project Manager for this Grant.

B. GRANT TERM:

- B.1. Grant Term. This Grant shall be effective for the period commencing on July 1, 2006 and ending on June 30, 2007. The State shall have no obligation for services rendered by the Grantee which are not performed within the specified period.
- B.2. Term Extension. The State reserves the right to extend this Grant Contract for an additional period or periods of time representing increments of no more than one year and a total contract term of no more than three (3) years, provided that the State notifies the Grantee in writing of its intention to do so prior to the Grant Contract expiration date. An extension of the term of this Grant Contract will be effected through an amendment to the Grant Contract. If the extension of the Grant Contract necessitates additional funding beyond that which was included in the original Grant Contract, the increase in the State's maximum liability will also be effected through an amendment to the Grant Contract.

C. PAYMENT TERMS AND CONDITIONS:

- C.1. Maximum Liability. In no event shall the maximum liability of the State under this Grant exceed eighty eight thousand seven hundred ninety three dollars (\$88,793.00). The Grant Budget, attached and incorporated herein as a part of this Grant as Attachment B, shall constitute the

maximum amount due the Grantee for the service and all of the Grantee's obligations hereunder. The Grant Budget line items include, but are not limited to, all applicable taxes, fees, overhead, and all other direct and indirect costs incurred or to be incurred by the Grantee.

- C.2. Compensation Firm. The maximum liability of the State is not subject to escalation for any reason unless amended. The grant budget amounts are firm for the duration of the grant contract and are not subject to escalation for any reason unless amended, except as provided in Section C.5.
- C.3. Payment Methodology. The Grantee shall be compensated for actual, reasonable, and necessary costs based upon the grant budget, not to exceed the maximum liability established in Section C.1. Upon progress toward the completion of the work, as described in Section A of this Grant Contract, the Grantee shall submit invoices, in form and substance acceptable to the State, with all of the necessary supporting documentation, prior to any reimbursement of allowable costs. Such invoices shall be submitted no more often than monthly and indicate at a minimum the amount charged by budget line-item for the period invoiced, the amount charged by line-item to date, the total amount charged for the period invoiced, and the total amount charged under this grant contract to date.
- C.4. Travel Compensation. Reimbursement to the Grantee for travel, meals, or lodging shall be subject to amounts and limitations specified in the "State Comprehensive Travel Regulations," as they are amended from time to time and subject to the Grant Budget.
- C.5. Budget Line-items. Expenditures, reimbursements, and payments under this grant contract shall adhere to the grant budget. The Grantee may request revisions of grant budget line-items by letter, giving full details supporting such request, provided that such revisions do not increase the total grant budget amount. Grant budget line-item revisions may not be made without prior, written approval of the State in which the terms of the approved revisions are explicitly set forth. Any increase in the total grant budget amount shall require a grant contract amendment.
- C.6. Disbursement Reconciliation and Close Out. The Grantee shall submit a final grant disbursement reconciliation report within ninety (90) days of the end of the Grant Contract. Said report shall be in form and substance acceptable to the State. The State will not be responsible for the payment of invoices that are submitted to the state after the final grant disbursement reconciliation report.
- If total disbursements by the State pursuant to this grant contract exceed the amounts permitted by the Section C, Payment Terms and Conditions of this Grant Contract, the Grantee shall refund the difference to the State. The Grantee shall submit said refund with the final grant disbursement reconciliation report.
- The Grantee must close out its accounting records at the end of the grant period in such a way that reimbursable expenditures and revenue collections are NOT carried forward.
- C.7. Indirect Cost. Should the Grantee request reimbursement for indirect cost, the Grantee must submit to the State a copy of the indirect cost rate approved by the cognizant federal agency and the State. The Grantee will be reimbursed for indirect cost in accordance with the approved indirect cost rate to amounts and limitations specified in the attached grant budget. Once the Grantee makes an election and treats a given cost as direct or indirect, it must apply that treatment consistently and may not change during the grant period. Any changes in the approved indirect cost rate must have prior approval of the cognizant federal agency and the State. If the indirect cost rate is provisional during the term of this agreement, once the rate becomes final, the Grantee agrees to remit any overpayment of funds to the State, and subject to the availability of funds the State agrees to remit any underpayment to the Grantee.

- C.8. Cost Allocation. If any part of the costs to be reimbursed under this grant contract are joint costs involving allocation to more than one program or activity, such costs shall be allocated and reported in accordance with the provisions of Department of Finance and Administration Policy Statement 03 or any amendments or revisions made to this policy statement during the grant contract period.
- C.9. Payment of Invoice. The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the costs invoiced therein.
- C.10. Unallowable Costs. The Grantee's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits or monitoring conducted in accordance with the terms of this Grant, not to constitute allowable costs.
- C.11. Deductions. Pursuant to **Tennessee Code Annotated**, Section 9-4-604, the State is not to issue warrants for payments to persons who are in default to the State until such arrearages are paid. If applicable to the Grantee, the Grantee agrees that, should such an arrearage exist during the term of this Grant, the State shall have the right to deduct from payments due and owing to the Grantee any and all amounts as are necessary to satisfy the arrearage.

Should a dispute arise concerning payments due and owing to the Grantee under this Grant, the State reserves the right to withhold said disputed amounts pending final resolution of the dispute.

D. STANDARD TERMS AND CONDITIONS:

- D.1. Required Approvals. The State is not bound by this Grant until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.
- D.2. Modification and Amendment. This Grant may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.
- D.3. Termination for Convenience. The Grant Contract may be terminated by either party by giving written notice to the other, at least ninety (90) days before the effective date of termination. Should either party exercise this provision, the Grantee shall be entitled to compensation for authorized expenditures and satisfactory services completed as of the termination date, but in no event shall the State be liable to the Grantee for compensation for any service which has not been rendered. The final decision as to the amount, for which the State is liable, shall be determined by the State. In the event of disagreement, the Grantee may file a claim with the Tennessee Claims Commission in order to seek redress.
- D.4. Termination for Cause. If the Grantee fails to properly perform its obligations under this Grant in a timely or proper manner, or if the Grantee violates any terms of this Grant, the State shall have the right to immediately terminate the Grant and withhold payments in excess of fair compensation for completed services. Any liability of the Grantee to the State and third parties for any claims, losses, or costs arising out of or related to acts performed by the Grantee under this agreement shall be governed by the Tennessee Claims Commission Act, **Tennessee Code Annotated**, Section 9-8-301, *et seq.*
- D.5. Subcontracting. The Grantee shall not assign this Grant or enter into a subcontract for any of the services performed under this Grant without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Grant pertaining to Lobbying, Nondiscrimination, Public Accountability, and Public Notice

(Sections D.6, D.7, D.8 and D.9). Notwithstanding any use of approved subcontractors, the Grantee shall be the prime contractor and shall be responsible for all work performed.

D.6. Lobbying. The Grantee certifies, to the best of its knowledge and belief, that:

- a. No federally appropriated funds have been paid or will be paid, by or on behalf of the Grantee, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, and entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.
- b. If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this grant, loan, or cooperative agreement, the Grantee shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- c. The Grantee shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including sub-grants, subcontracts, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients of federally appropriated funds shall certify and disclose accordingly.

D.7. Nondiscrimination. The Grantee hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Grant or in the employment practices of the Grantee on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Grantee shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.

D.8. Public Accountability. If this Grant involves the provision of services to citizens by the Grantee on behalf of the State, the Grantee agrees to establish a system through which recipients of services may present grievances about the operation of the service program, and the Grantee agrees to display a sign stating:

"NOTICE: This Grantee is a recipient of taxpayer funding. If you observe an employee engaging in any activity which you consider to be illegal or improper, please call the State Comptroller's toll free hotline: 1-800-232-5454"

Said sign shall be displayed in a prominent place, located near the passageway(s) through which the public enters in order to receive Grant supported services.

D.9. Public Notice. All notices, informational pamphlets, press releases, research reports, signs, and similar public notices prepared and released by the Grantee shall include the statement, "This project is funded under an agreement with Department of Labor and Workforce Development." Any such notices by the Grantee shall be approved by the State.

D.10. Licensure. The Grantee and its employees and all sub-grantees shall be licensed pursuant to all applicable federal, state, and local laws, ordinances, rules, and regulations and shall upon request provide proof of all licenses.

- D.11. Records. The Grantee shall maintain documentation for all charges against the State under this Grant. The books, records, and documents of the Grantee, insofar as they relate to work performed or money received under this Grant, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the state agency, the Comptroller of the Treasury, or their duly appointed representatives. The records shall be maintained in accordance with the *Accounting Manual for the Recipients of Grant Funds in the State of Tennessee*, published by the Tennessee Comptroller of the Treasury. The financial statements shall be prepared in accordance with generally accepted accounting principles.
- D.12. Monitoring. The Grantee's activities conducted and records maintained pursuant to this Grant shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.
- D.13. Progress Reports. The Grantee shall submit brief, periodic, progress reports to the State as requested.
- D.14. Procurement. If the other terms of this Grant allow reimbursement for the cost of goods, materials, supplies, equipment, or services, such procurement shall be made on a competitive basis, including the use of competitive bidding procedures, where practical. Further, if such reimbursement is to be made with funds derived wholly or partially from federal sources, the determination of cost shall be governed by and reimbursement shall be subject to the Grantee's compliance with applicable federal procurement requirements.

The Grantee shall obtain prior approval from the State before purchasing any equipment under this Grant.

- D.15. Strict Performance. Failure by any party to this Grant to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this agreement shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Grant shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.
- D.16. Independent Contractor. The parties hereto, in the performance of this Grant, shall not act as agents, employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Grant shall be construed to create a principal/agent relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services.
- D.17. State Liability. The State shall have no liability except as specifically provided in this Grant.
- D.18. Force Majeure. The obligations of the parties to this Grant are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.
- D.19. State and Federal Compliance. The Grantee shall comply with all applicable state and federal laws and regulations in the performance of this Grant.
- D.20. Governing Law. This Grant shall be governed by and construed in accordance with the laws of the State of Tennessee. The Grantee agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Grant. The Grantee acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to

those rights and remedies, if any, available under *Tennessee Code Annotated*, Sections 9-8-101 through 9-8-407.

- D.21. Completeness. This Grant is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Grant supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.
- D.22. Severability. If any terms and conditions of this Grant are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Grant are declared severable.
- D.23. Headings. Section headings are for reference purposes only and shall not be construed as part of this Grant.

E. SPECIAL TERMS AND CONDITIONS:

- E.1. Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Grant, these special terms and conditions shall control.
- E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Grant shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State:

Melvin O'Neal, Accounting Manager
Department of Labor and Workforce Development
Andrew Johnson Tower, 8th Floor
710 James Robertson Parkway
Nashville, Tennessee 37243-0655
Telephone Number 615 532-1071
Facsimile Number 615 741-3002

The Grantee:

Technical Contact:

Joan Snoderly, Research Associate
The University of Tennessee
College of Business Administration
Center for Business and Economic Research
804 Volunteer Blvd., Temple Court
Knoxville, TN 37996-4334
Phone 865 974-5441
Fax 865 974-3100

Administrative Contact:

Bob Cargile, Coordinator
The University of Tennessee
404 Andy Holt Tower
Knoxville, TN 37996-0140

Phone 865 974-4808
Fax 865 974-2805

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is confirmed telephonically by the sender if prior to 4:30 p.m. CST. Any communication

by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

- E.3. Subject to Funds Availability. The Grant is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Grant upon written notice to the Grantee. Said termination shall not be deemed a breach of contract by the State. Upon receipt of the written notice, the Grantee shall cease all work associated with the Grant. Should such an event occur, the Grantee shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date.
- E.4. Printing Authorization. The Grantee agrees that no publication coming within the jurisdiction of ***Tennessee Code Annotated***, Section 12-7-101, *et seq.*, shall be printed unless a printing authorization number has been obtained and affixed as required by ***Tennessee Code Annotated***, Section 12-7-103 (d).
- E.5. Workpapers Subject to Review. The Grantee shall make all audit, accounting, or financial analysis workpapers, notes, and other documents available for review by the Comptroller of the Treasury or his representatives, upon request, during normal working hours either while the analysis is in progress or subsequent to the completion of this Grant.
- E.6. Confidentiality of Records. Strict standards of confidentiality of records shall be maintained in accordance with the law. All material and information, regardless of form, medium or method of communication, provided to the Grantee by the State or acquired by the Grantee on behalf of the State shall be regarded as confidential information in accordance with the provisions of State law and ethical standards and shall not be disclosed, and all necessary steps shall be taken by the Grantee to safeguard the confidentiality of such material or information in conformance with State law and ethical standards.

The Grantee will be deemed to have satisfied its obligations under this section by exercising the same level of care to preserve the confidentiality of the State's information as the Grantee exercises to protect its own confidential information so long as such standard of care does not violate the applicable provisions of the first paragraph of this section.

The Grantee's obligations under this section do not apply to information in the public domain; entering the public domain but not from a breach by the Grantee of this Grant; previously possessed by the Grantee without written obligations to the State to protect it; acquired by the Grantee without written restrictions against disclosure from a third party which, to the Grantee's knowledge, is free to disclose the information; independently developed by the Grantee without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure.

It is expressly understood and agreed the obligations set forth in this section shall survive the termination of this Grant.

- E.7. Debarment and Suspension. The Grantee certifies, to the best of its knowledge and belief, that it and its principles:
- a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal or State department or agency;
 - b. have not within a three (3) year period preceding this Grant been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offense in connection with obtaining attempting to obtain, or performing a public (Federal, State, or

Local) transaction or grant under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;

- c. are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or Local) with commission of any of the offenses detailed in section b. of this certification; and
- d. have not within a three (3) year period preceding this Grant had one or more public transactions (Federal, State, or Local) terminated for cause or default.

IN WITNESS WHEREOF:

THE UNIVERSITY OF TENNESSEE:

[NAME AND TITLE]

Date

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT:

James G. Neeley, Commissioner

Date

APPROVED:

DEPARTMENT OF FINANCE AND ADMINISTRATION:

M. D. Goetz, Jr., Commissioner

Date

COMPTROLLER OF THE TREASURY:

John G. Morgan, Comptroller of the Treasury

Date

A PROPOSAL

TO DEVELOP THE TENNESSEE EMPLOYMENT SECURITY INSURANCE MODEL EVALUATION AND MAINTENANCE

The Center for Business and Economic Research (CBER), The University of Tennessee, Knoxville has provided general support services to the Tennessee Department of Labor and Workforce Development for the past several years. Important aspects of this cooperative relationship have included training sessions for employees in the Research and Statistics (R&S) Section of the Division of Employment Security, counsel on economic trends, seasonal adjustment of Labor and Workforce Development data, and support of the Tennessee Employment Security Insurance Model (TESIM). This is a proposal to extend the cooperative relationship through fiscal year 2006-2007. The following describes some proposed aspects of this support.

CBER will continue to serve as consultant on a variety of issues related to economics, research, and statistics. As requested, CBER will seek to provide such consultations directly or arrange assistance as necessary from other faculty of The University of Tennessee, Knoxville, College of Business Administration. CBER will initiate discussions on topics of interest related to the R&S issues that are identified during staff research activities. Consultation on these issues will continue into fiscal 2007 under the current proposal. CBER also will continue to provide data resource services to R&S for Census and other public-access data as requested.

CBER will also continue to support and provide other enhancements to TESIM. This model has generally been an effective tool for forecasting components of the trust fund balance and simulating the effects of policy changes. For example, TESIM

accurately predicted that the Tennessee Unemployment Insurance trust fund would weather the recession of 1990-1991 with little cause for concern. As with all forecasting models, maintenance and reconceptualization of TESIM remains a continuous task because new information about the economy is gathered and skill is gained in using TESIM. The following paragraphs outline how CBER will continue to support R&S in the operation of TESIM.

CBER will assist R&S staff in preparing three regular forecasts during the 2006-2007 fiscal year and additional forecasts as needed. For each forecast, CBER will provide to R&S updated economic forecasts in a format appropriate for use in the TESIM model. CBER will provide computer routines as needed to upload and download data provided by CBER. Assistance will be provided in analyzing TESIM output and in making adjustments as necessary. CBER will also continue to assist R&S staff with all other aspects of the software used by TESIM.

The equations that comprise TESIM will be reestimated by CBER, using the latest available national and state economic data. Structural relationships between TESIM variables will be monitored as shifts in underlying data are uncovered or as it becomes apparent that new conceptualization is necessary. CBER will also monitor the advances in computing technology and continue to update the interface between TESIM and R&S personnel operating the model. In particular, CBER will use the latest design software to ensure that upgrades in R&S computing technology are complemented with corresponding upgrades in TESIM user screens. CBER will also provide demonstrations and training, as necessary, to facilitate a seamless transition between model interfaces.

Statistical evaluation of the accuracy of the previous forecast will be undertaken, and an analysis will be made of significant variability from actual experience. Assistance will also be provided to help R&S staff incorporate judgment and institutional/ administrative knowledge into TESIM forecasts. In addition, CBER will assist R&S staff in utilizing the simulation capabilities of TESIM.

The project will be carried out under the direction of Dr. William F. Fox, Director, over the period of July 1, 2006 through June 30, 2007. The total project cost to the Department of Labor and Workforce Development is estimated at \$88,793.

ATTACHMENT B

GRANT BUDGET

GRANTEE: The University of Tennessee

PROGRAM AREA: Tennessee Employment Security Insurance Model

Refer to Department of Finance and Administration Policy 03, Uniform Reporting Requirements and Cost Allocation Plans for Subrecipients of Federal and State Grant Monies, Appendix A for further definition of each expense object line-item in the model budget format. Policy 03 can be found on the Internet at: <http://www.state.tn.us/finance/rds/ocr/policy03.pdf>

THE FOLLOWING IS APPLICABLE TO EXPENSE INCURRED IN THE PERIOD: 07/01/06 through 06/30/07

POLICY 03 Object Line-Item Reference	EXPENSE OBJECT LINE-ITEM CATEGORY (detail schedule(s) attached as applicable)	GRANT CONTRACT	GRANTEE MATCH (participation)	TOTAL PROJECT
1	Salaries	47,871.00	0.00	47,871.00
2	Benefits & Taxes	11,840.00	0.00	11,840.00
4, 15	Professional Fee/ Grant & Award (detail attached)	3,000.00	0.00	3,000.00
5	Supplies	1,000.00	0.00	1,000.00
6	Telephone	700.00	0.00	700.0
7	Postage & Shipping	100.00	0.00	100.00
8	Occupancy	0.00	0.00	0.00
9	Equipment Rental & Maintenance	0.00	0.00	0.00
10	Printing & Publications	1,000.00	0.00	1,000.00 0.00
11, 12	Travel/ Conferences & Meetings	200.00	0.00	200.00
13	Interest	0.00	0.00	0.00
14	Insurance	0.00	0.00	0.00
16	Specific Assistance To Individuals	0.00	0.00	0.00
17	Depreciation	0.00	0.00	0.00
18	Other Non-Personnel (detail attached)	9,500.00	0.00	9,500.00
20	Capital Purchase (detail attached)	2,000.00	0.00	2,000.00
22	Indirect Cost 0.15	11,582.00	0.00	11,582.00
24	In-Kind Expense	0.00	0.00	0.00
25	GRAND TOTAL	88,793.00	0.00	88,793.00

LINE-ITEM DETAIL FOR: [PROFESSIONAL FEE/ GRANT & AWARD]	AMOUNT
Graduate Student Tuitions	3,000.00
TOTAL	3,000.00

LINE-ITEM DETAIL FOR: [OTHER NON-PERSONNEL]	AMOUNT
Modeling Software	1,000.00
Economic Data Subscription	8,500.00
TOTAL	9,500.00

LINE-ITEM DETAIL FOR: [CAPITAL PURCHASE]	AMOUNT
Personal Computer	2,000.00
TOTAL	2,000.00

ATTACHMENT B

GRANT BUDGET

GRANTEE: The University of Tennessee

PROGRAM AREA: Tennessee Employment Security Insurance Model

Refer to Department of Finance and Administration Policy 03, Uniform Reporting Requirements and Cost Allocation Plans for Subrecipients of Federal and State Grant Monies, Appendix A for further definition of each expense object line-item in the model budget format. Policy 03 can be found on the Internet at: <http://www.state.tn.us/finance/rds/ocr/policy03.pdf>

THE FOLLOWING IS APPLICABLE TO EXPENSE INCURRED IN THE PERIOD: 07/01/06 through 06/30/07

POLICY 03 Object Line-Item Reference	EXPENSE OBJECT LINE-ITEM CATEGORY (detail schedule(s) attached as applicable)	GRANT CONTRACT	GRANTEE MATCH (participation)	TOTAL PROJECT
1	Salaries	47,871.00	0.00	47,871.00
2	Benefits & Taxes	11,840.00	0.00	11,840.00
4, 15	Professional Fee/ Grant & Award (detail attached)	3,000.00	0.00	3,000.00
5	Supplies	1,000.00	0.00	1,000.00
6	Telephone	700.00	0.00	700.0
7	Postage & Shipping	100.00	0.00	100.00
8	Occupancy	0.00	0.00	0.00
9	Equipment Rental & Maintenance	0.00	0.00	0.00
10	Printing & Publications	1,000.00	0.00	1,000.00
11, 12	Travel/ Conferences & Meetings	200.00	0.00	200.00
13	Interest	0.00	0.00	0.00
14	Insurance	0.00	0.00	0.00
16	Specific Assistance To Individuals	0.00	0.00	0.00
17	Depreciation	0.00	0.00	0.00
18	Other Non-Personnel (detail attached)	9,500.00	0.00	9,500.00
20	Capital Purchase (detail attached)	2,000.00	0.00	2,000.00
22	Indirect Cost 0.15	11,582.00	0.00	11,582.00
24	In-Kind Expense	0.00	0.00	0.00
25	GRAND TOTAL	88,793.00	0.00	88,793.00

LINE-ITEM DETAIL FOR: [PROFESSIONAL FEE/ GRANT & AWARD]	AMOUNT
Graduate Student Tuitions	3,000.00
TOTAL	3,000.00

LINE-ITEM DETAIL FOR: [OTHER NON-PERSONNEL]	AMOUNT
Modeling Software	1,000.00
Economic Data Subscription	8,500.00
TOTAL	9,500.00

LINE-ITEM DETAIL FOR: [CAPITAL PURCHASE]	AMOUNT
Personal Computer	2,000.00
TOTAL	2,000.00